NAVIG8 CHEMICAL TANKERS INC AND SUBSIDIARIES

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Independent Auditor's Report

To the Board of Directors of Navig8 Chemical Tankers Inc

We have audited the accompanying consolidated financial statements of Navig8 Chemical Tankers Inc and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of operations, consolidated statement of changes in shareholders' equity and consolidated statements of cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Navig8 Chemical Tankers Inc and its subsidiaries at December 31, 2016 and 2015, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

/s/ PricewaterhouseCoopers AS

Oslo, Norway

April 21, 2017

NAVIG8 CHEMICAL TANKERS INC AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	Dec 31, 2016 ('000)	Dec 31, 2015 ('000)
Assets		
Current assets		
Cash and cash equivalents	$ 28,686	$ 18,438
Trade receivables (related party)	23,256	15,161
Prepaid expenses and other assets	2,949	1,625
Related party prepaid expenses and other assets	11,442	9,272
Inventories	3,008	2,008
Total current assets	69,341	46,504
Non-current assets		
Restricted cash	17,430	16,000
Vessels, net	1,049,917	663,891
Vessels, capital lease	-	41,262
Vessels under construction	51,474	147,505
Total non-current assets	1,118,821	868,658
Total assets	$ 1,188,162	$ 915,162
Liabilities and shareholders' equity		
Current liabilities		
Obligations under capital lease	$ -	$ 36,149
Current portion of loans	46,138	56,777
Accounts payables and accrued expenses	13,873	11,276
Related party payables and accrued expenses	772	2,551
Total current liabilities	60,783	106,753
Non-current liabilities		
Long-term loans, net of unamortised debt issuance cost	688,216	389,488
Accrued expenses	183	-
Total non-current liabilities	688,399	389,488
Total liabilities	749,182	496,241
Commitments and contingent liabilities (Note 9)	-	-
Shareholders' equity		
Common stock, $0.01 par value per share; authorized 500 million shares (2015: 500 million shares); 38,489,108 shares issued and outstanding as of Dec 31, 2016 (Dec 31, 2015: 38,489,108 shares)	385	385
Paid-in capital	403,641	403,641
Retained earnings	34,954	14,895
Total shareholders' equity	438,980	418,921
Total liabilities and shareholders' equity	$ 1,188,162	$ 915,162

See notes to consolidated financial statements

NAVIG8 CHEMICAL TANKERS INC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	2016 ('000)	2015 ('000)
Operating revenue		
Vessel revenue (includes related party revenue of $146,051; 2015: $81,654)	$ 146,131	$ 81,654
Operating expenses		
Vessel expenses (includes related party expenses of $3,513; 2015: $1,684)	(50,825)	(23,502)
Depreciation	(34,149)	(15,780)
General and administrative expenses (includes related party expenses of $5,869; 2015: $5,551)	(7,432)	(7,514)
Loss on cancellation of newbuilding contracts	(566)	-
Total operating expenses	(92,972)	(46,796)
Net operating income	53,159	34,858
Financial items		
Interest income	43	65
Interest expense and finance costs	(33,119)	(14,252)
Other financial items	(24)	(6)
Net financial items	(33,100)	(14,193)
Net income	$ 20,059	$ 20,665
Earnings per common share:		
Basic	$ 0.52	$ 0.56
Diluted	$ 0.52	$ 0.56

See notes to consolidated financial statements

NAVIG8 CHEMICAL TANKERS INC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Number of shares outstanding ('000)	Common stock ('000)	Paid-in capital ('000)	Retained Earnings/ (deficit) ('000)	Total ('000)
Balance as of Dec. 31, 2014	32,787	$ 328	$ 338,868	$ (5,770)	$ 333,426
Net income	-	-	-	20,665	20,665
Net proceeds from offerings	5,702	57	64,773	-	64,830
Balance as of Dec. 31, 2015	38,489	$ 385	$ 403,641	$ 14,895	$ 418,921
Balance as of Dec. 31, 2015	38,489	$ 385	$ 403,641	$ 14,895	$ 418,921
Net income	-	-	-	20,059	20,059
Net proceeds from offerings	-	-	-	-	-
Balance as of Dec. 31, 2016	38,489	$ 385	$ 403,641	$ 34,954	$ 438,980

See notes to consolidated financial statements

NAVIG8 CHEMICAL TANKERS INC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

		2016 ('000)		2015 ('000)
Operating activities				
Net income	$	20,059	$	20,665
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Loss on cancellation of newbuilding contracts		566		-
Depreciation of vessels		34,149		15,780
Non cash portion of unamortised debt issuance costs for extinguished loans		2,938		-
Original debt issuance cost for extinguished loans		(3,212)		-
Amortisation of debt issuance cost		768		243
Amortisation of deferred financing charges		227		1,205
Changes in operating assets and liabilities:				
Trade receivables (Related party)		(8,096)		(15,161)
Prepaid expenses and other assets		(1,324)		(1,606)
Related party prepaid expenses and other assets		(2,170)		(9,265)
Inventories		(1,000)		(2,008)
Accounts payables and accrued expenses		3,660		3,392
Related party accounts payables and accrued expenses		(1,798)		2,007
Net cash provided by operating activities		**44,767**		**15,252**
Investing activities				
Change in restricted cash		(1,430)		(16,000)
Refund from cancellation of newbuilding contracts		20,926		-
Payments for vessels under construction *		(302,894)		(490,310)
Payments for vessels, capital lease*		(50)		(1,852)
Payments for vessels		(152)		(1,596)
Refund for vessel related deposits*		-		500
Net cash used in investing activities		**(283,600)**		**(509,258)**
Financing activities				
Net proceeds from issuance of shares		-		64,830
Proceeds from loans, net of debt issuance cost		377,202		459,541
Repayment of loans		(91,972)		(13,785)
Payment of obligation under capital lease		(36,149)		(38,547)
Net cash provided by financing activities		**249,081**		**472,039**
Increase / (decrease) in cash and cash equivalents		10,248		(21,967)
Cash and cash equivalents, beginning of year		18,438		40,405
Cash and cash equivalents, end of year	**$**	**28,686**	**$**	**18,438**

Supplemental disclosure of cash flow information:

Interest paid, net of interest capitalised	$	27,355	$	12,389

***** Please refer to note 4 for non-cash items

See notes to consolidated financial statements

NAVIG8 CHEMICAL TANKERS INC AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information and significant accounting policies

Company

Navig8 Chemical Tankers Inc and its subsidiaries (together "we", "us" or the "Company") is a company formed for the purpose of acquiring and operating chemical tankers with fuel-efficient specifications and carrying capacities of equivalent to or greater than 25,000 dwt in the international shipping markets. The Company was incorporated in the Republic of the Marshall Islands on August 15, 2013, and since August 11, 2014, the Company's shares are traded on the over-the-counter market in Oslo, Norway ("NOTC-list").

As of December 31, 2016, the Company has ordered 37 newbuilding chemical tankers, out of which 5 were cancelled during the financial year. The Company intends to operate the balance 32 vessels. The Company has taken delivery of 28 vessels, of which 13 are under sale and leaseback arrangements which are treated as financing transactions, and have entered into commercial pools (Navig8 Delta8 Pool, Navig8 Chronos8 Pool and Navig8 Stainless Pool) set up within Navig8 Chemicals Pool Inc. The fleet is scheduled to be fully delivered by September 2017.

Basis of accounting

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States. The consolidated financial statements include the assets and liabilities of the Company and its subsidiaries. All intercompany balances and transactions have been eliminated on consolidation.

We evaluate our subsidiaries, and any other entities in which we hold a variable interest, in order to determine whether we are the primary beneficiary of the entity, and where it is determined that we are the primary beneficiary we fully consolidate the entity.

A variable interest entity is defined by the accounting standard as a legal entity where either (a) the total equity at risk is not sufficient to permit the entity to finance its activities without additional subordinated support; (b) equity interest holders as a group lack either i) the power to direct the activities of the entity that most significantly impact its economic success, ii) the obligation to absorb the expected losses of the entity, or iii) the right to receive the expected residual returns of the entity; or (c) the voting rights of some investors in the entity are not proportional to their economic interests and the activities of the entity involve or are conducted on behalf of an investor with a disproportionately small voting interest.

The accounting standard requires a variable interest entity to be consolidated by its primary beneficiary, being the interest holder, if any, which has both (1) the power to direct the activities of the entity which most significantly impact the entity's economic performance, and (2) the right to receive benefits or the obligation to absorb losses from the entity which could potentially be significant to the entity.

1. General information and significant accounting policies (Continued)

Significant Accounting Policies

Accounting estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting year. Actual results could differ from those estimates.

In addition to the estimates noted above, significant estimates include vessel valuations, residual value of vessels, useful life of vessels and bargain purchase options included within sale and leaseback arrangements.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly-liquid investments with original maturities of three months or less, and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. The carrying value of cash and cash equivalents approximates fair value due to the short-term nature of these instruments.

Trade Receivables

Trade Receivables include amounts due from pools and other recoverable expenses due to the Company. At the balance sheet date, all potentially uncollectible accounts are assessed individually for the purposes of determining the appropriate provision for doubtful accounts. No provision was recorded as at December 31, 2016 (2015: nil).

Prepayments

Prepayments consist of payments in advance for insurance or other ad hoc prepaid purchases.

Other Assets

Other assets consist primarily of advances and deposits which primarily include amounts advanced to third-party technical managers for expenses incurred by them in operating the vessels, together with other necessary deposits paid during the course of business.

Inventories

Inventories consist of lubricating oils and other consumables on board the Company's vessels. Inventories are valued at the lower of cost and market value on a first-in-first-out basis. Cost is based on the normal levels of cost and comprises the cost of purchase, being the suppliers' invoice price with the addition of charges such as freight or duty where appropriate.

1. General information and significant accounting policies (Continued)

Restricted Cash

Restricted cash consists mainly of bank deposits in the Debt Service Reserve Account, which must be maintained in accordance with the contractual arrangement under the CA- KEXIM loan facility agreement (see Note 10 for details) to meet the minimum liquidity requirement for each delivered vessel.

Vessels under construction

Vessels under construction are measured at cost and include costs incurred that are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. These costs include instalment payments made to the shipyards, directly attributable financing costs, professional fees and other costs deemed directly attributable to the construction of the asset. Initial spares and equipment for the vessels under construction are capitalized.

Vessels under construction - impairment

Vessels under construction are assessed for impairment when events or circumstances indicate the carrying amount of the asset may not be recoverable. When such indicators are present, the carrying value of the vessels under construction is tested for recoverability by comparing the estimate of future undiscounted net operating cash flows associated with all future expenditure necessary to develop the vessel and expected to be generated by the use of the vessel over its useful life and its eventual disposal to its carrying amount based on the expected service potential of the asset once development is substantially completed. Net operating cash flows are determined by applying various assumptions regarding future revenues net of commissions, operating expenses, scheduled dry-dockings, expected offhire and scrap values, and taking into account historical revenue data and published forecasts on future economic growth and inflation. An impairment charge is recognized if the carrying value is in excess of the estimated future undiscounted net operating cash flows. The impairment loss is measured based on the excess of the carrying amount over the fair value of the asset.

Vessels

Vessels are recorded at their cost less accumulated depreciation. Vessel cost comprises acquisition costs directly attributable to the vessel and the expenditures made to prepare the vessel for its initial voyage. Vessels are depreciated on a straight-line basis over their estimated useful economic life from the date of initial delivery from the shipyard. The useful life of the vessels is estimated at 25 years from the date of initial delivery from the shipyard. Depreciation is based on cost less estimated residual scrap value. Residual scrap value is estimated as the lightweight tonnage of each vessel multiplied by the estimated scrap value per ton. The market price of scrap per tonne is calculated based on the historical ten year average. Residual values are reviewed annually. The Company capitalises and depreciates the costs of significant replacements, renewals and upgrades to its vessels over the shorter of the vessel's remaining useful life or the life of the renewal or upgrade. The amount capitalised is based on management's judgement as to expenditures that extend a vessel's useful life or increase the operational efficiency of a vessel. Costs that are not capitalised are recorded as a component of direct vessel operating expenses during the period incurred. Expenses for routine maintenance and repairs are expensed as incurred.

1. General information and significant accounting policies (Continued)

Vessel Impairment

Vessels are assessed for impairment when events or circumstances indicate the carrying amount of the asset may not be recoverable. When such indicators are present, the carrying value of the vessels are tested for recoverability by comparing the estimate of future undiscounted net operating cash flows associated with all future expenditure necessary to operate the vessel and expected to be generated by the use of the vessel over its useful life and its eventual disposal to its carrying amount based on the expected service potential of the asset. Net operating cash flows are determined by applying various assumptions regarding future revenues net of commissions, operating expenses, scheduled drydocking, expected offhire and scrap values, and taking into account historical revenue data and published forecasts on future economic growth and inflation. An impairment charge is recognized if the carrying value is in excess of the estimated future undiscounted net operating cash flows. The impairment loss is measured based on the excess of the carrying amount over the fair value of the asset.

Drydock Expenditure

Vessels are typically drydocked every five years. Dry-docking costs are accounted for as a separate component of vessels and are amortised over the dry-docking interval. Part of the purchase price of a new built vessel corresponding to the normal expected dry-docking expense is recognised as a separate component of the asset (dry-docking part of vessel).Expenses for routine maintenance and repairs are expensed as incurred.

Capital Leases

Navig8 Chemical Tankers Inc. leases certain of its vessels in operation. These lease transactions transfer substantially all risks and rewards incident to ownership from the lessor to Navig8 Chemical Tankers Inc. and are accounted for as capital leases. Vessels financed under capital leases are recorded in non-current assets, net in the consolidated balance sheet. The corresponding amounts due are recorded as a liability. Depreciation of vessels recorded under capital leases is included in depreciation expense. Interest costs are expensed to interest expense and finance costs in the consolidated statement of operations using the effective interest method over the life of the lease. Where the provisions of a capital lease contain a floating rate element, such as an index linked rate of hire, then the minimum lease payments are assumed to equal the index at inception of the lease. Any variations in the index, and therefore the payments made, are accounted for as contingent rental income or expense and are taken to the statement of operations in the period in which they become realizable.

Financing arrangements

Navig8 Chemical Tankers Inc. may enter into transactions accounted for as sale and leasebacks, in which vessels are sold to a third party and then leased for use by Navig8 Chemical Tankers Inc. Under certain circumstances, the necessary criteria to recognise a sale of these assets may not occur and the transaction is reflected as a financing arrangement, with proceeds received from the transaction reflected as a borrowing (see Note 10). When the necessary criteria have been met to recognise a sale, gains or losses on the sale of the assets are generally deferred and amortised over the term of the transaction, except in certain limited instances when a portion of the gain or loss may be recognised upon inception.

1. General information and significant accounting policies (Continued)

Distributions to shareholders

Distributions to the shareholders are applied first to retained earnings. When retained earnings are not sufficient, distributions are applied to the additional paid in capital account.

Financial Instruments

The carrying values of cash and cash equivalents, trade receivables and trade payables reported in the consolidated balance sheet are reasonable estimates of their fair values due to their short-term nature. The fair values of long-term debt approximate the recorded values due to the variable interest rates payable.

Deferred finance charges

Deferred financing charges include fees, commissions and legal expenses associated with securing financing facilities. Deferred financing charges are presented on the balance sheet as a contra-liability, against the debt liability. These costs are amortised, over the term of the debt, to interest expense and finance costs in the consolidated statement of operations using the straight line method as the results obtained are not materially different from those that would result from use of the use of the interest method.

Deferred initial up-front commitment fees paid to lenders for revolving credit facilities and lines of credit represent the benefit of being able to access capital over the contractual term, and therefore, meet the definition of an asset. These are presented as an other asset and subsequently amortised ratably over the term of the commitment period for the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement.

Contingencies

Navig8 Chemical Tankers Inc provides for contingent liabilities when (i) it is probable that a liability has been incurred at the date of the financial statements and (ii) the amount of the loss can be reasonably estimated. Disclosure in the noted to the financial statements is required for material contingent liabilities that do not meet both these conditions if there is a reasonable possibility that a liability may have been incurred at the balance sheet date.

Equity issuance costs

Incremental costs incurred that are directly attributable to an actual offering of equity securities are deferred and deducted from the related proceeds of the offering, and the net amount is recorded as contributed shareholders’ equity in the period when such shares are issued. Other costs incurred that are not directly attributable, but are related, to an actual offering are expensed as incurred.

1. General information and significant accounting policies (Continued)

Earnings per share

Basic earnings per share is calculated by dividing the net income attributable to equity holders of the common shares by the weighted average number of common shares outstanding. Diluted earnings per share are calculated by adjusting the net income/(loss) attributable to equity holders of the common shares and the weighted average number of common shares used for calculating basic earnings per share for the effects of all potentially dilutive shares. Such dilutive common shares are excluded when the effect would be to increase earnings per share or reduce a loss per share.

Taxes

Navig8 Chemical Tankers Inc and its subsidiaries are incorporated in the Republic of the Marshall Islands, and in accordance with the income tax laws of the Marshall Islands, are not subject to Marshall Islands' income tax. The Company is generally not subject to state and local income taxation. Pursuant to various tax treaties, the Company's shipping operations are not subject to foreign income taxes. However, the Company does not qualify for the exemption pursuant to Section 883 of the U.S. federal income taxation Code and therefore is subject to U.S. federal tax on its shipping income derived from the United States.

Foreign currencies

The individual financial statements of Navig8 Chemical Tankers Inc and each of its subsidiaries are presented in the currency of the primary economic environment in which we operate (its functional currency), which in all cases is U.S. dollars. For the purpose of the consolidated financial statements, our results and financial position are also expressed in U.S. dollars.

In preparing the financial statements of Navig8 Chemical Tankers Inc and each of its subsidiaries, transactions in currencies other than the U.S. dollar are recorded at the rate of exchange prevailing on the dates of the transactions. Any change in exchange rate between the date of recognition and the date of settlement may result in a gain or loss which is recognized in the consolidated statement of operations. At the end of each reporting period, monetary assets and liabilities denominated in other currencies are retranslated into the functional currency at rates ruling at that date. All resultant exchange differences have been recognized in the consolidated statement of operations.

Revenue Recognition

Vessel revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts, and other sales-related or value added taxes.

Vessel revenue comprises pool revenue. Pool revenue for each vessel is determined in accordance with the profit sharing terms specified within each pool agreement. In particular, the pool manager aggregates the revenues and expenses of all of the pool participants and distributes the net earnings to participants based on the following allocation key:

- the pool scores (vessel attributes such as cargo carrying capacity, fuel consumption, and construction characteristics are taken into consideration); and
- the number of days the vessel participated in the pool in the period.

We recognize net pool revenue on a monthly basis when the vessel has participated in a pool during the period, and the amount of pool revenue for the month can be estimated reliably.

1. General information and significant accounting policies (Continued)

Vessel Expenses

Vessel operating costs, which include crewing, repairs and maintenance, insurance, stores, lube oils, communication expenses, transportation tax, pool administration fee and technical management fees, are expensed as incurred.

Interest expense

Interest costs are expensed as incurred except for interest costs that are capitalized. Interest expenses incurred on pre-delivery financing arrangements are capitalized during construction of newbuildings at the Company's rate applicable to borrowings outstanding during the period.

2. Newly issued accounting standards

In January 2016, the FASB issued ASU No. 2016-01, Financial instruments - overall (Subtopic 825-10): Recognition and measurement of financial assets and financial liabilities. The amendments in this update require all equity investments to be measured at fair value with changes in the fair value recognised through net income (other than those accounted for under equity method of accounting or those that result in consolidation of the investee). The amendments in this update also require an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. In addition the amendments in this update eliminate the requirement to disclose the fair value of financial instruments measured at amortised cost for entities that are not public business entities and the requirement to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortised cost on the balance sheet for public business entities. This update is effective for fiscal years beginning after December 15, 2017, and for interim periods within those fiscal years. Early adoption is permitted for any entity in any interim or annual period. The Company is currently in the process of evaluating the impact of the update on the consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases. ASU 2016-02 is intended to increase the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. In order to meet that objective, the new standard requires recognition of the assets and liabilities that arise from leases. A lessee will be required to recognize on the balance sheet the assets and liabilities for leases with lease terms of more than 12 months. This update is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. The Company is currently evaluating the effect that adopting this standard will have on its financial statements and related disclosures.

2. Newly issued accounting standards (Continued)

In March 2016, the FASB issued Accounting Standards Update No. 2016-06, Derivatives and hedging (Topic 815): Contingent put and call options in debt instruments. Topic 815 requires that embedded derivatives be separated from the host contract and accounted for separately as derivatives if certain criteria are met, including the "clearly and closely related" criterion. The amendments in this Update clarify the requirements for assessing whether contingent call (put) options that can accelerate the payment of principal on debt instruments are clearly and closely related to their debt hosts. An entity performing the assessment under the amendments is required to assess the embedded call (put) options solely in accordance with the four-step decision sequence. The amendments apply to all entities that are issuers of or investors in debt instruments (or hybrid financial instruments that are determined to have a debt host) with embedded call (put) options. The standard is effective for annual periods beginning after December 15, 2016 and interim periods within those fiscal years. We do not expect these amendments to have a significant impact on our consolidated financial statements.

In March 2016, the FASB issued Accounting Standards Update No. 2016-09, Compensation – Stock Compensation (Topic 718): Improvements to Employee Share Based Payment Accounting. ASU 2016-09 is part of the FASB simplification initiative to identify. Evaluate, and improve areas of generally accepted accounting principles (GAAP) for which cost and complexity can be reduced while maintaining or improving the usefulness of the information provided to users of financial statements. The areas for simplification in this Update involve several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. Some of the areas for simplification apply only to nonpublic entities. The amendments in this Update affect all entities that issue share-based payment awards to their employees. the amendments are effective for annual periods beginning after December 15, 2016 and interim periods within those fiscal years. We do not expect these amendments to have a significant impact on our consolidated financial statements.

In April 2016, the FASB issued ASU2016-10— Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing. ASU No. 2016-10 suggests guidance for stakeholders on identifying performance obligations and licenses in customer contracts. In May 2014, the FASB issued ASU No. 2014‑09, Revenue from Contracts with Customers. The core principle is that a company should recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014‑09 defines a five step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP. The standard is effective for annual periods beginning after December 15, 2017, and interim periods within these annual reporting periods. The Company is evaluating the potential impact of this standard update on its consolidated financial statements and related disclosure.

In June 2016, the FASB issued ASU 2016-13-Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The amendments in this ASU require the measurement of all expected credit losses for financial assets, which include trade receivables, held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The guidance in this ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Entities must apply the guidance retrospectively to all periods presented but may apply it prospectively from the earliest date practicable if retrospective application would be impracticable. The Company is currently evaluating this ASU and any potential impacts the adoption of this ASU will have on our consolidated financial statements revised guidance for the accounting and reporting of financial instruments.

2. Newly issued accounting standards (Continued)

In August 2016, the FASB issued ASU 2016-15-Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. The new guidance are effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. Entities must apply the guidance retrospectively to all periods presented but may apply it prospectively from the earliest date practicable if retrospective application would be impracticable. The Company is currently evaluating the effect that adopting this standard will have on its consolidated financial statements and related disclosures.

In October 2016, the FASB issued ASU 2016-17—Consolidation (Topic 810): Interests held through related parties that are under common control. The Board is issuing this Accounting Standards Update to amend the consolidation guidance on how a reporting entity that is the single decision maker of a variable interest entity (VIE) should treat indirect interests in the entity held through related parties that are under common control with the reporting entity when determining whether it is the primary beneficiary of that VIE. Under the amendments, a single decision maker is not required to consider indirect interests held through related parties that are under common control with the single decision maker to be the equivalent of direct interests in their entirety. Instead, a single decision maker is required to include those interests on a proportionate basis consistent with indirect interests held through other related parties. The new guidance is effective fiscal years beginning after December 15, 2016, and interim periods within those fiscal. We do not expect these amendments to have a significant impact on our consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18—Statement of cash flows (Topic 230): Restricted cash. Stakeholders indicated that diversity exists in the classification and presentation of changes in restricted cash on the statement of cash flows under Topic 230, Statement of Cash Flows. This Update addresses that diversity. The amendments in this Update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in this Update apply to all entities that have restricted cash or restricted cash equivalents and are required to present a statement of cash flows under Topic 230. The new guidance is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. Entities must apply the guidance retrospectively to all periods presented but may apply it prospectively from the earliest date practicable if retrospective application would be impracticable. The Company is currently evaluating the effect that adopting this standard will have on its consolidated financial statements and related disclosures.

3. Segment Information

The Company and the chief operating decision maker ("CODM") measure performance based on the Company's overall return to shareholders based on consolidated net income. The CODM does not review a measure of operating result at a lower level than the consolidated group and the Company has only one reportable segment.

The Company's vessels operate worldwide and therefore management does not evaluate performance by geographical region as this information is not meaningful. The Company operates in one market, the chemical carrier market as an international provider of seaborne transportation of chemicals.

4. Cash Flow Information

Non-cash investing activities not included in the consolidated statement of cash flows of:

	2016 (000)	2015 (000)
Vessel under capital lease	$ -	$ 37,350
Amounts unpaid for vessels under construction	6,514	6,531
Vessel related deposits-vessel under capital lease	-	4,150
Vessel related deposits-vessels	-	4,500

Non-cash financing activities not included in the consolidated statement of cash flows of:

	2016 (000)	2015 (000)
Amounts unpaid for debt financing costs	$ 95	$ 939

In addition, there was the following non-cash financing transaction in 2016:

- The exchange of the KEXIM guaranteed promissory notes of $93.0 million for fixed rate global notes of $93.0 million (see Note 10).
- $64.5 million of pre-delivery loans were duly transferred to post delivery loans upon delivery of each subject vessel from the shipyard (see Note 10).

5. Cash and cash equivalents

The cash and cash equivalents as of December 31, 2016 and 2015 are denominated in United States Dollars. As of December 31, 2016 and 2015, the cash and cash equivalents balance relates solely to cash deposited with the banks.

6. Vessels

(in thousands of $)	Vessels(1)	Vessels capital lease	Vessels under construction
Cost at December 31, 2014	**-**	**-**	**284,826**
Instalments and capitalised interest	-	-	490,514
Transfer from vessels under construction and capital lease	676,763	-	-
Additions	1,596	85,051	-
Transfer to vessels	-	(42,627)**	(634,136)
Services capitalised***	-	150	6,301
Cost at December 31, 2015	**678,359***	**42,574**	**147,505**
Instalments and capitalised interest	-	-	299,502
Transfer from vessels under construction and capital lease	421,335	-	-
Additions	152	50	-
Transfer to vessels	-	(42,624)**	(378,711)
Cancellation of shipbuilding contracts	-	-	(20,197)
Services capitalised***	-	-	3,375
Cost at December 31, 2016	**1,099,846***	**-**	**51,474**
Accumulated Depreciation at December 31, 2014	**-**	**-**	**-**
Depreciation	(12,917)	(1,312)	-
Transfer from vessels under capital lease	(1,551)	-	-
Accumulated Depreciation at December 31, 2015	**(14,468)***	**(1,312)**	**-**
Depreciation	(33,878)	(270)	-
Transfer from vessels under capital lease	(1,582)	1,582	-
Accumulated Depreciation at December 31, 2016	**(49,928)***	**-**	**-**
Net Balance at December 31, 2014	**-**	**-**	**284,826**
Net Balance at December 31, 2015	**663,891**	**41,262**	**147,505**
Net Balance at December 31, 2016	**1,049,918**	**-**	**51,474**

* Includes $517.1 million (2015: $150.1 million) of cost and $17.8 million (2015: $2.7 million) of depreciation, for the thirteen vessels (2015: four vessels) sold as part of the Sale and Leaseback agreements (see Note 10). These sale and leaseback agreements have been treated as a financing arrangement.

**Includes $0.1 million (2015: $1.0 million) relating to additions paid during the year.

*** Services capitalized relate to Project Management fees billed by Navig8 Shipmanagement Pte. Ltd ("N8S") for the supervision during construction at the respective shipyards

(1) As of December 31, 2016, the balance includes a component of net capitalised drydock cost of $13.3 million (2015: $9.3million), comprising of cost of $17.3 million (2015: $10.5 million) and accumulated depreciation of $4.0 million (2015: 1.2 million).

6. Vessels (Continued)

Navig8 Chemical Tankers Inc.'s fleet as of December 31, 2016 comprises of the following:

No.	Vessel Name	DWT	Yard	Built
1(1)	Navig8 Victoria	49,080	Hyundai Vinashin	January 2015
2(1)	Navig8 Almandine	37,295	Hyundai MIPO	February 2015
3(1)	Navig8 Amber	37,295	Hyundai MIPO	February 2015
4(1)	Navig8 Amethyst	37,295	Hyundai MIPO	March 2015
5(1)	Navig8 Violette	49,080	Hyundai Vinashin	March 2015
6(1)	Navig8 Ametrine	37,295	Hyundai MIPO	April 2015
7(1)	Navig8 Aventurine	37,295	Hyundai MIPO	April 2015
8(1)	Navig8 Andesine	37,295	Hyundai MIPO	May 2015
9(1)	Navig8 Amazonite	37,295	Hyundai MIPO	May 2015
10(3)	Navig8 Aronaldo	37,295	Hyundai MIPO	June 2015
11(3)	Navig8 Aquamarine	37,295	Hyundai MIPO	June 2015
12(2)	Navig8 Axinite	37,295	Hyundai MIPO	July 2015
13(3)	Navig8 Amessi	37,295	Hyundai MIPO	July 2015
14(2)	Navig8 Ammolite	37,295	Hyundai MIPO	August 2015
15(2)	Navig8 Azurite	37,295	Hyundai MIPO	August 2015
16(3)	Navig8 Azotic	37,295	Hyundai MIPO	September 2015
17(1)	Navig8 Adamite	37,295	Hyundai MIPO	September 2015
18(1)	Navig8 Aragonite	37,295	Hyundai MIPO	October 2015
19(1)	Navig8 Alabaster	37,295	Hyundai MIPO	November 2015
20(1)	Navig8 Achroite	37,295	Hyundai MIPO	January 2016
21(3)	Navig8 Turquoise	49,080	STX	April 2016
22(3)	Navig8 Topaz	49,080	STX	July 2016
23(1)	Navig8 Sirius	25,000	Kitanihon	July 2016
24(1)	Navig8 Sky	25,000	Kitanihon	August 2016
25(4)	Navig8 Spark	25,000	Kitanihon	October 2016
26(4)	Navig8 Stellar	25,000	Kitanihon	October 2016
27(3)	Navig8 Tourmaline	49,080	STX	October 2016
28(3)	Navig8 Tanzanite	49,080	STX	November 2016

Under Construction				Scheduled Delivery
29	Navig8 Saiph	25,000	Kitanihon	Q1 2017
30	Navig8 Sceptrum	25,000	Kitanihon	Q2 2017
31	Navig8 Spica	25,000	Fukuoka	Q2 2017
32	Navig8 Sol	25,000	Fukuoka	Q3 2017

(1) Company's owned vessels.

(2) Vessels subject to the CMB financing arrangement (see Note 10).

(3) Vessels subject to the Ocean Yield financing arrangement (see Note 10).

(4) Vessels subject to the JOLCO financing arrangement (see Note 10).

7. Cancellation of STX shipbuilding contracts

On 30 September 2016, the Company announced that it has cancelled contracts to construct five IMO2 49,000 DWT Interline-coated medium range tankers at STX Offshore & Shipbuilding Co., Ltd. in Korea ("STX") which were to be delivered to the Company during 2017. Contracts ordering the Cancelled Vessels were previously announced by the Company on October 21, 2015 and December 3, 2015. All pre-delivery instalments previously paid by the Company to STX with respect to the Cancelled Vessels have been refunded to the Company together with interest by Korea Development Bank (“KDB”) pursuant to the refund guarantees provided by KDB.

The Company received a total of $20.9 million under the refund guarantee, and $0.6 million was included in the consolidated statement of operations as loss on cancellation of newbuilding contracts.

8. Capital leases

The Company had exercised the purchase obligations in the bareboat charter with Abigail Shipping Co. Pte. Ltd and Brianna Shipping Co. Pte. Ltd on November 7, 2014 and December 19, 2014 respectively to repurchase the vessels at the end of these charters The Company took ownership of Navig8 Victoria at the end of December 2015 and Navig8 Violette in March 2016.

9. Commitments and Contingencies

The Company’s estimated commitments (see Note 10 for debt), as of December 31, 2016, through the expected delivery dates of the 4 vessels, aggregate approximately $120.8 million which will be payable as follows (in millions of dollars):

	2017	2018	2019	2020	After 5 years
Vessels – Newbuildings	$120.8	--	--	--	--

There are no new shipbuilding contracts signed during the financial year. The Company has existing newbuilding instalment commitments to shipyards for the construction of a series of vessels.

There are no contingencies outstanding which are expected to have a material impact on the financial position, results of operations or cash flow either individually or in the aggregate.

10. Debt

As at December 31, 2016 the Company had four bank loan facilities (2015: three) and three sale and leaseback financings (2015: one), which it has used to finance newbuildings. The Company's applicable ship-owning subsidiaries have granted first priority mortgages against the relevant vessels in favor of the lenders as security for the Company's obligations under the bank loan facilities and the Company also acts as guarantor of the bank loan facilities and the sale and leaseback financings. These mortgages and guarantees can be called upon following a payment default or other event of default or termination event.

The outstanding principal balance on each debt facility at the balance sheet date is as follows:

	2016 (000)	2015 (000)
Senior Secured CA-KEXIM Credit Facility		
-Kexim Guaranteed Notes	$ -	$ 95,139
-Kexim Global Notes	86,704	-
-ECA Tranche	52,467	84,759
-Commercial Tranche	70,350	90,260
Senior Secured DVB Credit Facility	49,170	26,000
Senior Secured Credit Suisse Credit Facility	53,508	-
Ocean Yield Sale and Leaseback	268,940	128,347
CMBFL Sale and Leaseback	88,375	-
SBI Sale and Leaseback	74,400	-
Pre-delivery financing arrangement (prior to Ocean Yield Sale and Leaseback)	-	28,238
Total debt	743,914	452,743
Less: unamortised debt issuance cost	(9,560)	(6,478)
Net debt	734,354	446,265
Less: current portion	(46,138)	(56,777)
	$ **688,216**	$ **389,488**

Future minimum scheduled repayments under the Company's loan facilities for each year are as follows:

$'000	2017	2018	2019	2020	2021	Thereafter
Aggregate Bank Loan Facilities	26,223	26,223	26,223	26,223	26,223	181,084
Aggregate Sale and Leaseback Financing Arrangements(1) (2)	41,790	40,918	40,920	40,592	39,813	357,084
Total	68,013	67,141	67,143	66,815	66,036	538,168

(1) Amount excludes Purchase Options for 8 Ocean Yield Sale and Leaseback vessels totaling $92.0 million

(2) Excluding interest amount of $221.4 million, the net financing arrangements liability is $431.7 million.

10. Debt (Continued)

Senior Secured CA-KEXIM Credit Facility

In January 2015, the Company entered into the original Senior Secured CA-KEXIM Credit Facility, to finance 18 vessels delivered by Hyundai MIPO between February 2015 and January 2016. In May 2015, we amended the facility to reduce the number of vessels that it partially funds to 14 vessels. This facility is provided by a combination of commercial banks and The Export-Import Bank of Korea ("KEXIM"). The facility comprise of a commercial debt tranche of $101.2 million, a bank-funded KEXIM-guaranteed note tranche totaling $101.2 million, and a KEXIM-funded debt tranche of $101.2 million. Navig8 Chemical Tankers (A-Ships) Inc., our indirect wholly-owned subsidiary, is the borrower under the Senior Secured CA-KEXIM Credit Facility.

On 27 June 2016, the CMBFL Sale and Leaseback (see further below) was completed and as part of the arrangement the senior debt outstanding on three vessels of $60.4 million (under the ECA and Commercial tranche) was repaid in full on 27 Jun 2016. As at December 31, 2016, 11 vessels are financed under this facility. On April 29, 2016, pursuant to the exercise of an option granted under the terms of the Senior Secured CA-KEXIM Credit Facility, the Company exchanged the KEXIM guaranteed notes for Kexim fixed rate global notes.

The commercial and ECA tranche under the facility bears interest at LIBOR plus a margin that ranges from 1.75% to 3.25% depending on the tranche and the time of drawdown. Interest on the guaranteed note tranche is at a fixed rate of 2.90%. The weighted average interest rate on outstanding borrowings under our Senior Secured CA-KEXIM Credit Facility as of December 31, 2016 was 3.67% including the KEXIM guarantee premium for the KEXIM-guaranteed Global Note tranche. Principal repayments on the facility are made on a quarterly basis. The facility fully matures in March 2027.

Senior Secured DVB Credit Facility

In December 2015, the Company entered into a $52million Senior Secured DVB Credit Facility, to finance two vessels that were delivered by Hyundai Vinashin between January 2015 and March 2015. The facility was drawn down fully in two tranches, in December 2015 and March 2016, upon purchase of the respective vessels upon expiry of the bareboat charters the Company had entered into for each vessel. Debt under the facility bears interest at LIBOR plus a margin of 2.5%. Principal repayments on the facility are made on a quarterly basis, with a balloon payment paid with the final instalment. This loan fully matures in March 2024.

Senior Secured Credit Suisse Credit Facility

In June 2016, the Company entered into a $55.0 million Senior Secured Credit Suisse Credit Facility, to finance two vessels constructed at Kitanihon shipyard. The facility was fully drawn down in two tranches, in June 2016 and August 2016, in line with vessel deliveries. Debt under the facility bears interest at LIBOR plus a margin of 2.60% per annum. Principal repayments on the facility are made on a quarterly basis, with a balloon payment paid with the final instalment. This loan fully matures in June 2024.

10. Debt (Continued)

Senior Secured UniCredit Credit Facility

In November 2016, the Company entered into a $54.3 million Senior Secured UniCredit Credit Facility, to finance two vessels under construction at Kitanihon shipyard. The facility consists of two vessel loan tranches and is expected to be fully drawn down in line with vessel deliveries, scheduled before May 2017. Debt under the facility bears interest at LIBOR plus a margin of 2.65% per annum. Principal repayments on the facility are made on a quarterly basis, with a balloon payment paid with the final instalment. As of December 31, 2016, we had no borrowings outstanding under this facility thus the full amount of the loan is still available for drawdown.

Ocean Yield Sale and Leaseback Arrangement

On April 1, 2015, the Company entered into a sale and leaseback arrangement with Ocean Yield ASA, in respect of four vessels (Navig8 Amessi, Navig8 Aquamarine, Navig8 Aronaldo and Navig8 Azotic) that were delivered by Hyundai MIPO between June 2015 and September 2015, and four vessels (Navig8 Turquoise, Navig8 Tanzanite, Navig8 Topaz, and Navig8 Tourmaline) that were delivered by STX between March 2016 and October 2016. This transaction was treated as a financing transaction. The net proceeds from the financing (after a 10% sellers credit and before taking into account liquidated damages) was $276.6 million. As of December 31, 2016, we have fully drawn down on the financing and no further amounts are available for borrowing.

Under the arrangement, eight vessels were delivered to Ocean Yield upon delivery from the relevant shipyard and thereafter the Company entered into 15 year bareboat charters for each vessel, each commencing upon their respective deliveries. The Company has purchase options to re-acquire each of the subject vessels during the bareboat charter period, with the first of such option exercisable on the fifth anniversary from the delivery date of the subject vessel. Post-delivery charterhire under the arrangement comprise of a fixed per day rate, paid monthly in advance. The fixed charterhire rate is subject to annual adjustment based on the prevailing rate of LIBOR.

In addition, as part of the Ocean Yield Sale and Leaseback Arrangement, we entered into four $16.1 million pre-delivery loan facility agreements with Ocean Yield in respect of each of the four subject vessels to be delivered by STX. As of December 31, 2016, all the outstanding borrowings under the pre-delivery loan facility agreements via the sale and leaseback arrangements were duly transferred to post-delivery loans upon each delivery of each subject vessel from STX. The fixed interest rate on outstanding borrowings under the pre-delivery loan facility agreements was 7% and was payable quarterly in arrears.

BCFL Sale and Leaseback

On April 6, 2016, the Company entered into sale and leaseback agreements with Bank of Communications Financial Leasing Co. Ltd (“BCFL”) for four vessels under construction at STX. As the shipbuilding contracts for these vessels have been cancelled, no amounts were advanced under this facility and it is no longer in effect.

10. Debt (Continued)

CMBFL Sale and Leaseback

On June 14, 2016, the Company entered into sale and leaseback agreements with CMB Financial Leasing Co. Ltd ("CMBFL") for three Hyundai MIPO built chemical tanker vessels previously financed under the Senior Secured CA-KEXIM Credit Facility. This transaction was treated as a financing transaction. The net proceeds from the transaction amounted to $91.2 million. Under this arrangement, the loan tranches relevant to the three vessels under the Senior Secured CA-KEXIM Credit Facility were repaid, the existing mortgages over the three vessels were discharged and the three vessels were delivered by the Company to CMBFL. As of December 31, 2016, we have fully drawn down on the financing.

The Company has entered into 7 year bareboat charters for the three vessels, commencing upon their respective deliveries to CMBFL. The Company has purchase options to re-acquire each of the subject vessels during the bareboat charter period, with the first of such option exercisable on the third anniversary from the delivery date of the respective vessel and a purchase obligation at the end of the charter term. Post-delivery charterhire under the arrangement is payable quarterly and comprise of a fixed charterhire and a variable charterhire at a rate of LIBOR plus a margin of 3.88%.

SBI Sale and Leaseback

On September 15, 2016, the Company entered into sale and leaseback agreements with SBI Holdings Inc ("SBI") for two vessels under construction at the yard of Kitanihon Shipbuilding Co., Ltd ("Kitanihon"). This transaction was treated as a financing transaction. The net proceeds from the transaction amounted to $74.0 million. As of December 31, 2016, we have fully drawn down on the financing, in line with vessel deliveries in October and November 2016.

Under the arrangement, both vessels were delivered to SBI upon delivery from shipyard and thereafter entered into 11 year bareboat charters, commencing upon their respective deliveries. The Company has purchase options to re-acquire each of the subject vessels during the bareboat charter period, on the fifth and seventh anniversary from the delivery date of the respective vessel. Post-delivery charterhire under the arrangement is payable quarterly and comprise of a fixed charterhire and a variable charterhire at a rate of LIBOR plus a margin of 2.75%.

Prior to the completion of the sale and leaseback with SBI, the Company entered into a $24.9 million related pre-delivery facility agreement with Credit Agricole Corporate and Investment Bank to partially refinance pre-delivery instalment payments made by the Company to Kitanihon in respect of these two vessels. Interest accrued on the loan advances at a rate equal to LIBOR plus a margin of 2.75%. The loans under the pre-delivery facility agreement were repaid in full on the respective delivery dates of the vessels by the funds flow resulting from the SBI sale and leaseback arrangements.

10. Debt (Continued)

Financial Covenants

The above financings have, where indicated the following financial covenants that require us to maintain (based on terms defined in the credit/sale and leaseback agreements):

- for each financing arrangement described above) minimum liquidity of either US$500,000 or US$1,000,000, depending on the financing, per delivered vessel. As at December 31, 2016, the total minimum liquidity requirement in aggregate is US$18,000,000;
- for each bank financing, an amount between US$500,000 – US$950,000, depending on the bank financing facility, per delivered vessel under the subject financing facility to be held in debt service reserve accounts and for the CMBFL Sale and Leaseback there is a deposit account requirement of US$260,000. These are amounts set as restricted in the balance sheet of $17,430,000;
- for each financing arrangement described above a ratio of total net debt (total debt less cash and cash equivalents) to total net assets (total market value of assets less cash and cash equivalents) of no more than 75%;
- Maintain a minimum fair value of the collateral for each bank finance facility and the CMBFL Sale and Leaseback Arrangement, such that the aggregate fair value of the vessels collateralizing the credit facility be at least, for the bank financing facilities, between 130% -140%, depending on the bank financing facility and in the case of the CMBFL Sale and Leaseback, 115%, in each case of the aggregate principal amount outstanding under such credit facility; and
- under the Ocean Yield Sale and Leaseback Arrangements, Minimum value adjusted equity of US$250,000,000.

Each of our financings discussed above have, unless indicated otherwise below and among other things, the following restrictive covenants which would restrict our ability to:

- incur additional indebtedness;
- (under the bank financing facilities) sell the collateral vessel;
- make additional investments or acquisitions;
- pay dividends, in the event of a default, or if an event of default would occur as a result of the payment of dividends and in the case of the all of the bank financings, our ability to pay dividends is restricted if the debt service reserve accounts are not fully funded and in the case of certain of the bank financings our ability to pay dividends is restricted if satisfactory cash flow forecasts are not provided and in the case of the Ocean Yield Sale and Leaseback Arrangement, we can pay dividends only if our consolidated total net debt to total net assets ratio does not exceed 72.5% both before and after the relevant dividend payment; in addition, we can make investments over $7,500,000 only if the consolidated total net debt to total net assets ratio does not exceed 70% at the time the commitment is made in relation to the relevant investment.; and
- other than under the CMBFL Sale and Leaseback, to undergo a change of control of our shareholding structure.

Our obligations under the sale and leaseback arrangements are secured by, among other things, assignments of earnings and insurances, stock pledges and account charges in respect of the subject vessels and are unconditionally and irrecoverably guaranteed by us. In addition, each of our financing arrangements contain customary events of default (for the bank financings) or termination events (for the sale and leaseback arrangements), including cross-default provisions.

10. Debt (Continued)

As of December 31, 2016, we are in compliance with the financial covenants of each of our financing arrangements.

Assets Pledged

As of December 31, 2016, 28 vessels (2015: 18 vessels) with an aggregate carrying value of US$1,050 million (2015: US$664 million) were pledged as security for the Company's debt.

11. Common Shares

There are no transactions on share issuance during the financial year (2015: 5,701,754 common shares).

As of December 31, 2016, we have:

- 38,489,108 shares (2015: 38,489,108) of common stock issued and paid; the $0.01 par value of which is recorded as common stock of $384,891 (2015: $384,891).
- Paid-in capital of $403.6 million (2015: $403.6 million) represents the excess of net proceeds from common stock issuances over the par value, net of any direct issue costs amounting to $2.4 million (2015: $2.4 million).

12. Earnings per Share

The computation of basic earnings per share is based on net income and the weighted average number of shares outstanding during the year.

The components of the numerator for the calculation of basic EPS and diluted EPS for **Net income,** are as follows:

	2016	2015
Net income ($'000)	20,059	20,665

The components of the denominator for the calculation of basic EPS and diluted EPS are as follows:

	2016	2015
Weighted average number of shares outstanding – basic (in '000)	38,489	37,083
Weighted average number of shares outstanding – diluted (in '000)	38,489	37,083

There were no potentially dilutive securities outstanding for any of the periods presented.

13. Vessel Revenue

	2016	2015
Pool revenue ($'000)	146,131	81,654

During 2016, the Company recognised $146.1 million (2015: $81.7) of revenue from Navig8 Chemicals Pool Inc. of which $116.4 million (2015: $68.1 million) was relating to the eighteen Hyundai MIPO vessels participating in the Delta8 Pool, $21.9 million (2015: $13.6 million) relating to the two Vinashin and the four STX vessels participating in the Chronos8 Pool and $7.8 million (2015: Nil) relating the four Kitanihon vessels participating in the Stainless8 Pool.

14. Vessel Expenses

	2016	2015
Vessel Expenses ($'000)	50,825	23,502

During 2016, vessel expenses, which include crewing, repairs and maintenance, insurance, stores, lube oils, communication expenses, pool administration fees, transportation tax and technical management fees, were incurred on the vessels delivered.

15. General and administrative expenses

	2016 (000)	2015 (000)
Corporate Administration Fees (related party – see Note 18)	$ 2,878	$ 2,640
Management Services Fees (related party – see Note 18)	2,991	2,911
Other expenses	1,563	1,963
	$ 7,432	$ 7,514

16. Interest expense and finance costs

	2016 (000)	2015 (000)
Interest Incurred[(1)]	$ 31,000	$ 13,672
Capitalised Interest	(2,243)	(868)
Cancellation fees due to refinancing	429	-
Amortisation of debt issuance cost	3,706	243
Amortisation of deferred commitment fees	227	1,205
	$ 33,119	$ 14,252

[(1)] Included within the interest incurred is contingent rental income of $142,000 (2015: $118,000) incurred on the sale and leaseback financing arrangement with Ocean Yield.

17. Financial Instruments

Interest rate risk management

In certain situations, the Company may enter into financial instruments to reduce the risk associated with fluctuations in interest rates. The Company does not hold or issue instruments for speculative trading purposes. As at December 31, 2016 and 2015, the Company is not party to any interest rate swaps to hedge interest rate exposure.

Foreign currency risk

The majority of the Company's transactions, assets and liabilities are denominated in United States dollars, the functional currency of the Company. There is no significant risk that the currency fluctuations will have a negative effect of the value of the Company's cash flows.

Fair values

The carrying value and estimated fair value of the Company's financial instruments at December 31, 2016 and 2015 are as follows:

(in thousands of $)	2016 Fair Value	2016 Carrying Value	2015 Fair Value	2015 Carrying Value
Cash and cash equivalents	28,686	28,686	18,438	18,438
Restricted cash	17,430	17,430	16,000	16,000
Trade receivables	23,257	23,257	15,161	15,161
Fixed rate financing	72,296	86,704	28,238	28,238
Floating rate financing	657,210	657,210	424,505	424,505

The fair values of cash and cash equivalents, restricted cash and trade receivables have been determined using level 1 inputs and are assumed to be their carrying values.

The fair value of floating rate debt has been determined using level 2 inputs and is considered to be equal to the carrying value since it bears variable interest rates, which are reset on a quarterly basis. The fixed rate financing has been determined using level 2 inputs.

There is a concentration of credit risk with respect to cash and cash equivalents to the extent that substantially all of the amounts are carried with ABN AMRO and Hong Kong Shanghai Banking Corporation. As of December 31, 2016, Navig8 Chemicals Pool Inc., a related party of the Company (see Note 18), represented substantially all of of the Company's accounts receivable balance. This concentration of credit risk is deemed remote as Navig8 Chemicals Pool Inc. is an established and reputable entity with no prior history of default.

18. Related party transactions

As at December 31, 2016, the Company has 28 vessels operating in the Delta8 Pool, Chronos8 Pool and Stainless8 Pool which are part of Navig8 Chemicals Pool Inc. The company pays working capital of $0.3 million for every vessel that enters the Delta8 Pool, $0.3 million for every vessel that enters the Chronos8 Pool and $0.3 million for every vessel that enters the Stainless8 Pool. The working capital is refundable when the vessel exits the respective pools.

Our technical manager, commercial manager and administrative manager (collectively known as our “Related Managers”) are affiliates of Navig8 Group, which is majority owned and controlled (directly or indirectly) by senior employees of Navig8 Group. In addition, our Commercial Manager is majority owned by a Navig8 Group entity and minority owned by an affiliate of Oaktree. Under the agreements with our Related Managers for the management of our vessels, we (i) effectively pay our pro rata share of the fees the Pool Company is obligated to pay our Commercial Manager, amounting to 2% of all gross pool revenue plus an administration fee of $250 per vessel per day, (ii) pay our Commercial Manager (or its nominee) a sale and purchase commission of 1% or less of the shipbuilding contract price, (iii) pay our Navig8 Technical Manager a fee of approximately $500 per vessel per day for each vessel it technically manages plus a construction supervision fee of $450,000 for each vessel in the Initial Fleet (other than for the two Hyundai Vinashin vessels), and (iv) pay our Administrative Manager a fee of $220 per vessel per day that has been accruing since the date of the building contract for each vessel.

A summary of net amounts earned (incurred) from related parties for the years ended December 31, 2016 and 2015 are as follows:-

	2016 (000)	2015 (000)
Navig8 Chemicals Pool Inc	$ 146,051	$ 81,654
Navig8 Shipmanagement Pte Ltd	(4,819)*	(7,170)*
Navig8 Chemicals Asia Pte Ltd	(3,536)	(965)
Navig8 Asia Pte Ltd	(2,878)	(2,640)
Navig8 Chemicals Europe Ltd	(691)	(777)
Navig8 Europe Ltd	(2,300)	(1,775)
Navig8 Chemicals DMCC	(1,207)**	(1,357)**

* This amount includes $3.4 million relating to services capitalised (see Note 6) for supervision fees incurred during construction at the respective shipyards.

** This amount includes $1.2 million relating to capitalised S&P commission (see Note 6) incurred on the newbuildings.

Net amounts earned from related party comprises pool distributable income, and net amounts paid to related parties comprise construction supervision fees, technical management fees, commercial management administration fees, corporate administration fees, management services fees and Sale & Purchase commission.

18. Related party transactions (Continued)

A summary of short term balances due from related parties as at December 31, 2016 and 2015 is as follows:-

Current Receivables, prepayments and other assets	2016 (000)	2015 (000)
Navig8 Chemicals Pool Inc	$ 31,006	$ 21,386
Navig8 Shipmanagement Pte Ltd	3,691	3,040
Navig8 Chemicals Europe Ltd	-	4
Navig8 Europe Ltd	-	3
Navig8 America LLC	2	-
	$ 34,699	$ 24,433

A summary of short term balances due to related parties as at December 31, 2016 and 2015 is as follows:-

	2016 (000)	2015 (000)
Payables and accrued expenses		
Navig8 Shipmanagement Pte Ltd	$ (68)	$ (1,793)
Navig8 Chemicals Asia Pte Ltd	(217)	(147)
Navig8 Asia Pte Ltd	(218)	(253)
Navig8 Chemicals Europe Ltd	(42)	(74)
Navig8 Europe Ltd	(163)	(204)
Navig8 Americas LLC	-	(21)
Navig8 Chemicals DMCC	(64)	(59)
	$ (772)	$ (2,551)

Short term balances due from related parties comprise pool revenue receivables, pool working capital, net advances from ship manager and prepayments on administrative expenses. Short term balances due to related parties comprise unpaid management services fees, sale & purchase commission, project management fees, corporate administration fees, commercial management administration fees and accrued expenses.

On February 17, 2015, Mr. Alan Carr was appointed as a director of the Company, and he shall receive a director's remuneration of $75,000 per year. As at December 31 2016, the Company has paid a total of $68,750 (2015: $59,000), and $6,250 unpaid is accrued as of December 31, 2016 and is included in the consolidated balance sheet as accrued expenses.

Navig8 Chemicals Pool Inc, Navig8 Shipmanagement Pte Ltd, Navig8 Chemicals Asia Pte Ltd, Navig8 Asia Pte Ltd, Navig8 Chemicals Europe Ltd, Navig8 Europe Ltd, Navig8 Americas LLC, and Navig8 Chemicals DMCC are related companies to our shareholder, Navig8 Chemical Tanker Holdings Inc, and its parent company, Navig8 Limited.

19. Variable Interest Entities ("VIEs")

As of December 31, 2016, the Company participates in commercial pool arrangements with the commercial pools (Delta8 Pool, Chronos8 Pool and Stainless8 Pool) set up within Navig8 Chemicals Pool Inc. Commercial pools operate a large number of vessels as an integrated transportation system, which offers customers greater flexibility and a higher level of service while achieving scheduling efficiencies. Participants in the commercial pools contribute one or more vessels and generally provide an initial contribution towards the working capital of the pool at the time they enter their vessels. The pools finance their operations primarily through the earnings that they generate.

The Company enters into the pool arrangement to take advantage of commercial opportunities. In the pool, the Company has the same relative rights and obligations and financial risks and rewards as other pool participants. The Company has determined that the participation in the pools of Navig8 Chemicals Pool Inc. (the legal entity) met the criteria of a VIE and, therefore, the Company reviewed its participation in the VIE to determine if it was the primary beneficiary of it. The Company reviewed the legal documents that govern the creation and management of the VIE described above and also analyzed its involvement to determine if the Company was a primary beneficiary. A VIE for which the Company is determined to be the primary beneficiary is required to be consolidated in its financial statements.

The pool agreements state that the commercial manager of each pool has decision making power over their significant decisions. The pool participants are members of a pool committee, however, the pool committee's power is limited to approving the pool total costs for each vessel, which is how pool revenue is allocated to its participants, and approve any additional working capital financing from its pool participants. Since the Commercial Manager of the pool holds the power to make all significant economic decisions that affect the pools and the Company does not control a majority of either the board or pool committee, the Company is not considered a primary beneficiary of the VIE, Navig8 Chemicals Pool Inc.

As of December 31, 2016, the Company has \$5.0 million (2015: \$5.5 million) in the balance sheet related to working capital contributions to the Delta8 Pool, \$1.8 million (2015: \$0.7 million) in the balance sheet related to the working capital contributions to the Chronos8 Pool and \$1.0 million (2015: Nil) in the balance sheet related to the working capital contributions to the Stainless8 Pool. This is expected to be returned to the company once the vessel leaves the pool. The company also has \$16.9 million (2015: \$13.6 million), \$4.1 million (2015: \$1.6 million) and \$2.3 million (2015: Nil) in the balance sheet related to the pool distribution to be received from the Delta8, Chronos8 and Stainless8 Pools respectively. The sum of these amounts represents the Company's maximum exposure to the VIE. The company has no liquidity arrangements, guarantees or other third party commitments that may affect the fair value or risk of the reporting entity's variable interest in the VIE.

20. Subsequent events

We have evaluated subsequent events through April 21, 2017, which is the date the consolidated financial statements were available to be issued.

On January 12, 2017, the Company took delivery of one 25,000 dwt stainless steel chemical tanker m.t. "Navig8 Saiph" from Kitanihon. The vessel has been entered into Navig8's Stainless8 Pool.

The Company has received credit approvals from SBI Holdings Inc ("SBI"), Crédit Agricole CIB ("CA-CIB") and BNP Paribas ("BNPP") in respect of a sale and leaseback structure incorporating a Japanese operating lease with call option (supported by pre and post-delivery credit facilities) for the two vessels the Company has under construction at Fukuoka shipyard, Japan ("Fukuoka"). This sale and leaseback arrangement will be structured on similar terms to the sale and leaseback with SBI for two of the vessels at Kitanihon which is described further in note 10 above.

Prior to the completion of the sale and leaseback with SBI, it is proposed that the Company will enter into an up to $22.94 million pre-delivery facility agreement with CA-CIB and BNPP to partially refinance pre-delivery instalment payments made by the Company to Fukuoka in respect of these two vessels. Interest will accrue on such loan advances at a rate equal to LIBOR plus a margin of 2.75%. The loans under the pre-delivery facility agreement will be repaid in full on the respective delivery dates of the vessels by the funds flow resulting from the SBI sale and leaseback arrangements.

The sale and leaseback with SBI is expected to raise net proceeds of US$74.0 million. Both vessels will be delivered to SBI upon delivery from shipyard and thereafter entered into 11.5 year bareboat charters with the Company, commencing upon their respective deliveries. The Company will have purchase options to re-acquire each of the subject vessels during the bareboat charter period, on/around the fifth and seventh anniversary from the delivery date of the respective vessels. Post-delivery charterhire under the arrangement will be payable quarterly and comprise of a fixed charterhire and a variable charterhire at a rate of LIBOR plus a margin of 2.75%.

The financing arrangement is in the process of being documented by legal counsels for the joint arrangers and SBI.